

98-84373-9

Ganilh, Charles

General reflections on the
financial situation...

Paris

1816

98-84373-9

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Entered: 19980220 Replaced: 19980220 Used: 19980220
► Type: a ELvl: K Srce: d Audn: Ctrl: Lang: eng
BLvl: m Form: a Conf: 0 Biog: MRec: Ctry: fr
Cont: GPub: Fict: 0 Indx: 0
Desc: a Ills: Fest: 0 DtSt: s Dates: 1816, ¶
► 1 040 PR1 *c PR1 ¶
► 2 007 h *b d *d a *e f *f a--- *g b *h a *i c *j p ¶
► 3 007 h *b d *d a *e f *f a--- *g b *h a *i a *j p ¶
► 4 007 h *b d *d a *e f *f a--- *g b *h a *i b *j p ¶
► 5 049 PR1A ¶
► 6 100 1 Ganilh, Charles, *d 1758-1836. ¶
► 7 245 10 General reflections on the financial situation of France in 1816
=h [microform] / *c by Ch. Ganilh. ¶
► 8 260 Paris : *b The Pamphleteer, *c 1816. ¶
► 9 300 p. [226]-260 ; *c 22 cm. ¶
► 10 440 0 Pamphleteer ; *v no. 13, v. 7 ¶
► 11 500 "Translated exclusively for the Pamphleteer." ¶

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 3/30/98

INITIALS: F.C.

TRACKING #: 32271

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General Reflections
ON THE
FINANCIAL SITUATION
OF
FRANCE
IN 1816.

BY M. CH. GANILH.

Non insanabilibus ægrotamus malis.
SENeca.

PARIS, 1815.

Translated exclusively for the PAMPHLETEER.

1816.

NO. XIII.

Pam.

VOL. VII.

P

GENERAL REFLECTIONS,

&c. &c.

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ALL minds are troubled and alarmed at the state of our finances. Every one despends at the extent of our necessities, the difficulty of bearing them, and the danger of yielding to their pressure. The interest is general, because it is common; and the public opinion springs from the sense of our misfortunes. They have already benefited our judgment. It vain do all sorts of infallible specifics solicit our acceptance: the time of illusion is gone by, and experience spurns at pernicious presents.

But though we are proof against rash and empty pretensions, where shall we look for the information and the wisdom that must direct and recover us? Will the budget fulfil our expectation? We rather indulge our wishes than our hopes. Happen what may, the country will owe its gratitude to the intrepid minister who dares encounter such perils, and will doubtless address him as Louis XIV. addressed Desmarests under circumstances not less difficult or calamitous than those which afflict us: *If you succeed, you will do me great service, and I shall be your debtor: if results are unfortunate, I shall not impute them to you.*

I ought however to observe, that the situation of France is not without precedent in modern history. America, Austria, Prussia, all the secondary governments of Europe have experienced the same fate as ourselves: they have also suffered from the devastation of war, and have been subjected to enormous imposts for foreign use. These people however have not sunk under the

blows of Fortune, and they have collected power and resources sufficient to redeem their independence, their prosperity, and their reputation.

England herself has poured out on the continent for the charges of war, subsidies which the most inexorable conqueror would not have dared to exact; and her prosperity seems uninjured. In truth, this people, thanks to its commerce, is placed in a separate sphere: its industry makes draughts from the wealth of the whole world, and its fortune will be unlimited, until a general Navigation Act shall have prescribed to its thousands of vessels those conditions by which England has so long restricted the navigation of other maritime people.—A era still very remote, if we may judge by the events that we have just witnessed.

Omitting therefore England, whose wealth has no analogy with that of other nations, France, in respect to the rest of Europe, possesses advantages which ought to re-assure her under existing circumstances, which still give earnest of future glories, and which confirm to her, that she will not lose the high rank that she has so long held in the political world. Her glory is unsullied; her prosperity will revive; and if other nations have not felt themselves overborne by burthenis equally heavy with her own, she cannot be ruined by them. We may rely with confidence on the inexhaustible fertility of her soil, on the amount of her capitals in every commercial department, on the thriving state of her manufactures, the skill of her merchants, the diligence of her laboring classes, and above all, on her reinstatement in her colonies, the precious inheritance, whereon her looks may constantly dwell, like those of the Hebrew people, on the land of promise.

Let her not be terrified at the obstacles that seem to intercept her approach: legitimacy, henceforward the rule and the standard of all rights, of all possessions, of all governments, authorizes her hopes, and pledges their success. She will find in other nations the same justice that they have required: they will respect her rights, as they have taught her to respect those she had violated.

Europe will not forget that the treasures which France wishes, and ought to recover, in the restoration of her colonies, are lost to the commerce of the world, and can only be replaced by the cares, the industry, and the labors of the French people. The produce of

their labor will not even be the exclusive property of France : all nations will find in it new modes of exchange, the nourishment of more extensive commerce, a larger and more beneficial employ of capitals, and a fertile source of new profits. The increase of the general wealth is a benefit to all nations. All partake of it in proportion to the progress of their industry ; and the number of their competitors, far from lessening their individual share, augments it by the very extent of competition. Europe and the commercial world cannot therefore but applaud the endeavours of France to regain her colonies, and particularly that of St. Domingo, so long the source of her prosperity and her riches, and the foundation of her power.

Need I add, that if this colony was withdrawn from the French people, it would perhaps be impossible for them to perform the engagements contracted towards all Europe : and who can foresee the result of the combination of all the European powers to compel France to fulfil her engagements, and of the resistance of 25 millions of men driven to desperation ! Sovereigns of Europe, if you wish for the peace, the regularity, and the happiness of your subjects, favor with all your might the manufacture, the industry, and the commerce of all nations, even of those whom you reckon among your enemies. Commercial labor ought to be and will eventually be the pacifier of the world, the conciliator of all interests, the dispenser of all particular and general prosperity.

France, when reinstated in the possession of all her domestic and colonial resources, cannot for a long period avail herself of them, to restore her prosperity, her riches, and her power. She will long have to carry their product to foreign countries : her ambition must long be bound in to effect her liberation. Having attained this distant period, she may esteem herself happy, if she shall be unimpeded in her love of labor, in her capitals, her industry, her reputation for arts and sciences, and above all, if she shall have been able to recover her former commercial possessions, and to secure them from invasion. Should she be then outstripped in the career of wealth by those powers who will have so long divided the fruits of her labor, she may yet hope to come up with them.

But it must not be dissembled ! this prodigy does not require

less of talent in the application of our resources, than of wisdom in the direction of our efforts ; and it is above all to our financial measures that we must look for our greatest success. It is of the highest importance, not to pause in deciding them, and particularly not to persist in theories condemned by disastrous experience.

Colbert has left us a model for imitation. Let us imitate the conduct of this great man, and we shall obtain the same results which have made him immortal.

We must, like him, relieve the farmer, by moderating his contributions, promote agriculture by the progress of industry, second the exertions of industry by encouraging the arts and sciences, facilitate the plans of commerce by releasing it from those fetters which might embarrass its walk, oradden its spring ; nor must we neglect those means which tend to overcome its rivals. Colbert did this ; and for this, his fame is immortal.

We shall compass this difficult object if our contributions are so systematized as only to affect that part of the annual resources which exceeds private wants, to touch only upon the national wealth in that part which is not indispensable to replace the annual income, and lastly, to charge upon the future, only those responsibilities which cannot destroy its hope.

This task would be less hard if there were definite and ascertained amounts in every department of wealth ; but it is not so. Men the most enlightened on this subject, have but partial, imperfect, and at best but approximating notions. We must consequently trust to chance, nor can we avoid its dangers, but by the help of principles founded on reason, and of doctrines which are most accredited. We must be equally cautious against the timid hesitation of trite experience, and against the illusions of a bold and distempered fancy.

In this point of view, I shall examine in succession,

1st. What, according to the principles of taxation, is the financial system best adapted to existing circumstances.

2nd. What use we can make of public credit, in times of emergency.

Untes. I be deceived, the discussion of these respective questions must shed considerable light on our financial situation, and on the means of extricating ourselves with the smallest sacrifices ;

for this must be our ultimate hope, and the aim of all our exertions.

§ 1.

On the System of Finance best suited to the present State of France.

The elements of this problem may be resolved into the knowledge, 1st. Of the Public Expenditure in 1816—2d. Of the collective Revenue for its discharge.

The public expenditure will amount at least to 800 millions.¹

With respect to the general revenue, it is doubtful whether in the present state of our industry, and our commerce, it exceeds 4000 millions.

The expenses of production amount at least to the half of the produce, 2000

Consequently there remains Net 2000 millions.²

These 2000 millions are to pay the 800 millions; consequently it is evident, that all those who live on their clear income, will pay nearly the half of it.

If the share of each individual in the 2000 millions were known, nothing would be easier than to levy upon him his contribution towards the 800 millions: it is evident, that there would only remain to each contributor, after deducting the contribution, about 170 fr.: a very slight object, but yet sufficient for the preservation of the people and the State, since every division of labor would preserve its capital, and the means of reproducing the annual income.

¹ In this sum, we do not include the outstanding arrears, which are estimated at 600 or 700 millions; but for this purpose there are funds appropriated, consisting of about 300 millions, both in woods and other public property.

Neither do I speak of the debts due to foreign individuals, who are to be paid in annuities, after the treaty.

² See my last work *On the Theory of Political Economy*, 2 vols. 8vo.

But the distribution of the 2000 millions between six or seven millions of individuals, depends on so many different and complex causes, that it is physically and morally impossible to conceive it. Hence the different kinds of contributions appointed in each country, and all tending to make up for the knowledge of this individual share.

We are at present acquainted with four species of contributions. Some attach to landed property.

Others to moveable and immoveable property.

Others to persons.

Others to consumption.

Let us try to determine the effect of these taxes in relation to the contributor, the public prosperity, and the general wealth.

Contributions from landed property and its products have a swarm of inconveniences. I shall not retrace them all: I shall only point out the most evident and vexatious.

In the first place, it is certain that this kind of contributions falls exclusively on the proprietor, and that he has no opportunity of transferring the charge to the consumers of landed products. In fact, the price of these products does not depend on the cost of production, but on the proportion of their quantity to the wants of consumption. If they exceed these wants, they are cheap, even when the expense of production exceeds the market price.

Nor can it even be said, that if this state of things were protracted, the proprietor would diminish his cultivation, until the scarcity of products had proportioned their price to the cost of production. The consequent evil would be worse than that which it sought to remedy. The check on cultivated land, would diminish the quota of agricultural products, the income of farmers, the rent of land, the general wealth, the national power and population. It would be difficult to cause results more fatal than those which would naturally and necessarily ensue from the check on cultivation, arising from too heavy contributions on landed property. It is therefore not only within the scope of distributive justice, but also the national interest, to tax this species of wealth but in very moderate proportions, even inferior to what it might actually support.

Thus in England it is remarked, that the taxes on land form but

about a tenth part of the general contributions, whilst in France they constitute more than the half.

The taxes on capital are levied on the exchange of property; but what is the object that pays them? Not the property, which is the object of exchange: it remains, after the payment of the tax, in the same state as before; which has given room for the opinion, that this kind of taxes, leaving the property unaltered, was not injurious to the wealth of a country.

This inference would not have been so readily drawn, had it occurred, that the tax is calculated on the exchangeable value of the moveable or immoveable property, that is to say, on the gold and silver which form its price.

At the first view, it is not easily seen what evil can redound to the public wealth, from the appropriation of gold and silver employed in transferring properties. But this gold and silver can no more be consumed than the property they have transferred. They remain in circulation, and consequently, it is not obvious how the State, preserving its property and its coin, should suffer any harm from the contributions levied on its exchanges.

This injury however does exist, and its extent is much greater than might be imagined.

Before their employment in the transfer of property, gold and silver, which have administered this service, remunerated a labor, which conferred a revenue on their proprietor; let us suppose, at 5*l.* per cent. interest. Removed from this employment, to operate exchanges, the portion of gold and silver that comes into the hands of Government, also requites a labor, but this labor no longer bestows a revenue on the State, or an individual. So that, this mode of contribution annually destroys a portion of the private and general revenue; or, in other words, it consumes a part of the capital producing the revenue, instead of the revenue which ought alone to be consumed. The public fortune then experiences that, which is daily witnessed in private fortunes, when the surplus of expense beyond the revenue constrains the annual sale of a part of the capital to cover the deficiency. In these circumstances, a private fortune is inevitably exhausted within a given time.

The lot of a country is not entirely so unhappy or fatal. It is possible that the private party, who is deprived of a portion of his

capital, to be consumed as revenue, may refund the loss by economizing his income; but what is possible is not always effected, and it is much more to be apprehended, that the individual who is deprived of a part of his capital, and of the part of his income that is to produce it, will not be inclined to endure new privations, and will consume his remaining revenue, rather than husband the part that exceeds his wants. It would be much more certain and wise to tax the revenue, than to hope that it will be saved up.

Again, the contribution on the exchange of property diminishes annually the capital allotted to this kind of circulation, and by a necessary consequence, this circulation must suffer from it, property lose its value, and the deterioration of this most important part of the national wealth, must stop the progress of public prosperity.

Nor is this all.

The transfer of property is effected by successions, gifts, exchanges, free and compulsory sales.

In the four first cases, the contribution deprives the proprietors of part of the capital necessary to maintain their fortunes, and the private and general revenue is diminished, and consequently the loss is certain, both to individuals and the state.

In the last case, the contribution is revoltingly unjust.

The proprietor, forced to sell his property to acquit himself towards his creditors, is thus deprived of part of his fortune. The contributions often swallows up its residue, and leaves the unhappy proprietor without resource. What name shall we give to a contribution that ruins the contributor?

Lastly, what completely exposes the iniquity of this species of contributions, we never know their proportion to the substance of the contributors. Whilst it is but one hundredth part of one fortune, it is perhaps a quarter, a third, a half, or even more, of another.

It would be difficult to imagine a contribution more intrinsically vicious, more oppressive to the contributor, more ruinous to the state. It is however universally established, though the most prudent and enlightened governments have restrained it within the narrowest limits. It is recommended to administrators of finance, by supplying abundant and promptly raised contributions. There is not any other reason for its prevalence in governments but little

studied in the financial science, and more solicitous for their own convenience than for the public prosperity. If we would judge of the relative progress of different governments in finance, it is enough to compare their contributions on capital. I will not here give this list, so honorable to some, and so degrading to others. Not to deserve my subject, I will content myself with remarking, that the contributions on capital form the 5th part of the whole contribution, whilst in England they only form the tenth part; and nevertheless, there is considerable difference between the capitals of England, and those of France, and the former may be more easily supplied by credit. The experience therefore of an intelligent people here comes in aid of the light of reason, and affords the true rule for this kind of contribution.

The taxes on individuals include all those which are founded on their presumed wealth: a presumption, which can never be carried to any degree of certainty. They are then of necessity conjectural, and consequently arbitrary. Accordingly, this kind of tax is not known in England. In France, its inconveniences have been ascertained, and they have been in great measure avoided by the moderation of this tax, which forms at present but about a 20th part of the collective taxes. Its moderation has doubtless prevented the vexatious effects of its existence, but it also proves the defects of our system of finance.

The taxes on consumption incur the least inconvenience, and consequently are the most eligible that are known. The reason is simple and easily understood.

The public expenses must be defrayed by all the citizens, in proportion to their fortunes: perhaps it were better to say, in proportion to their respective circumstances; for where the public expenses entrench on private wants, the state is in imminent danger, and verges to certain ruin.

But how can we discover the property or the circumstances of the contributors? There is no sure and infallible method. We are forced then to content ourselves with conjectures, probabilities, and appearances; and of all the taxes which have been adopted in the different countries of modern Europe, there are none to be compared with those on consumption.

Consumption is proportioned to the equivalents that can be paid

for it. It is certain then, that he who consumes has the value of his consumption, and the tax imposed on consumption, falls in reality on the property of the consumers. The tax is consequently regulated by a fixed and unvarying criterion, common to all the contributors.

There is another advantage: it is blended with the value of the objects of consumption, and has the same effects. But, as the value of articles imposes on such a wish to consume them, the necessity of procuring an equivalent to pay for them, it follows evidently that the impost which increases the value of commodities, or augments their price, incites the consumers to labor and industry, and may to a certain degree serve as a vehicle for the progress of the general wealth. Wherever consumable commodities are cheap, labor is declining, the workman idle, and the country poor; nor would it perhaps be impracticable to show, that a tax on consumption, computed on the property of the consumers, would give activity to labor, ability to industry, and a powerful impulse to the general wealth.

This would be more manifest, if the tax, as it ought to be, were applied only to articles of luxury. The poor man grows familiar with privation, and a little more or less, affects him slightly. But the prosperous man does not easily forgo his luxuries, and makes every exertion to escape from the sacrifice with which the tax threatens him. We may, therefore, without danger, and even with some advantage, lay taxes on articles that are confined to prosperity. Nor need we fear to transgress the limit where they ought to stop. Is their production stationary? It has reached its term, and it would be useless to endeavour to increase them. Is it progressive? We are certain that the public prosperity is flourishing and in advance. Is it retrograde? We are warned that prosperity is diminishing, and an enlightened government seeks for the cause, and administers the appropriate remedy.

Taxes on articles of luxury, offer advantages that are evident and desirable in every respect.

It is true that these advantages are not without heavy inconveniences, and I am far from wishing to conceal them.

This kind of tax tempts the contributor to fraud, corrupts the manners, propagates vice, foments crime, and requires institutions

and tribunals to repress and punish them. These considerations have excited a just reluctance to this kind of taxes; and hence it is, doubtless, that they are not equally encouraged in all countries. But it seems to me that it has escaped notice, that these inconveniences are not inherent in the nature of the tax, but in its direction; and if the most lenient and favorable modes of levying it had been sought for, it would not perhaps have been difficult to avoid, and even entirely to prevent, the moral calamities with which it has been so justly reproached.

Another reproach directed at this mode of taxation, is founded on the difficulty of levying it. It subjects the contributors to domiciliary visits, to vexatious inquests, to oppressive scrutinies. The treasury agent assumes over the contributor, a kind of authority little consistent with the dignity of the citizen, and almost always fatal to personal respectability.

But it is extremely remarkable, that the inconveniences which cause this reproach, are less felt by the people of England than of France, though the former have always enjoyed a much larger share of liberty. An evident proof, that men and people have not every where the same notions of the same things, and that the difference of their manners originates in causes yet little known.

However, it is but reasonable to conclude, that since in one country, the inconveniences peculiar to this kind of tax, if not removed, have at least been rendered endurable; the same success is not impossible in another country, and if we would seek for the cause of the impediments that have attended these taxes in France, we should perhaps trace it rather to the species than the nature of the tax. In France, the taxes on consumption have almost invariably been laid on articles of the first necessity, whilst in England they have only fallen on luxuries.¹ In one country therefore, that tax might be borne with impatience, which provoked no resistance in the other. Whence it follows, supposing this remark to be just, that it is not impossible to naturalise this kind of tax in all countries.

Lastly, to this kind of taxes the expence of levying them is ob-

¹ This is a mistake. The articles of leather, soap, candles, glass, &c. on which a duty is paid, are surely not to be esteemed other than articles of necessity.—*Ed.*

jected; and it must be granted, that this reproach is not without reason, both in France and the other countries of Europe. But it is rather the fault of governments, than a vice peculiar to the nature of this tax. In England, the expenses of its levy do not exceed five per cent., and consequently they are much less than the cost of raising the direct taxes in France,

From these elementary reflexions on the nature and the immediate effects of each kind of tax, it follows that the least detrimental to public prosperity, are those affecting the objects of consumption reserved for easy circumstances, and consequently that they should occupy the first place in every system of finance; that, when they have attained their full extent, recourse must be had to taxes on property, and their inherent defects allayed by moderation; and lastly, that capitals should never be touched, but when all other resources are inadequate to extraordinary and imperative occasions.

We must, however, remark that, when this order has been inverted, it cannot be suddenly restored, and it would be dangerous for the public treasury to attempt it. Wisdom directs us, to heal by degrees what time has by degrees effected, and to avoid rash experiments, almost always succeeded by painful and fatal paroxysms.

On this supposition, the public taxes of France, in ordinary times, should consist:

1. Of direct taxes	-	-	-	-	200 millions
2. Of taxes on capital	-	-	-	-	50
					Total 250
3. On taxes on consumption, including salt and tobacco	-	-	-	-	300
					4. On wood, custom-house duties, and postage 50
					Total 600 millions.

This is nearly the limit of taxes that can be paid by the present resources of France. This arrangement would considerably assimilate her system with that of England. See the comparative table of the two systems, No. I.

In what degree may the system of finance, customary, and, we

may say, natural in our country, be warrantably approximated or swerved from, by the government, accordingly to her actual necessities? This difficulty must be elucidated, if it cannot be removed.

The engagements contracted by France to foreign countries, constrain her to augment the taxes by a third, and to raise them from 600 millions, their actual rate, to 800 millions, the amount of the public expenses, ordinary and extraordinary.

Where shall she obtain this excess? Will she endeavour to augment the ordinary taxes by one third? It would be tried in vain. It is certain that all the ordinary taxes have reached their maximum, and that their increase would be illusory, would denounce non-entities, and would hazard the prosperity of agriculture, the increase of capitals, and the progression of general wealth.

And how could we reasonably expect larger amounts from raising taxes on agriculture? Is it not known that this branch of our wealth, the only one unaffected by temporary misfortunes, is our greatest and last resource, and that it would be more than imprudent to expose it to the danger of decline and total ruin, by an accession of taxes that it could not support. However great may be the farmer's patience, and his natural tendency to privations and sacrifices, it is yet advisable not to urge him to desperation, by the prospect of his distress and sufferings.

And at what epoch should we wring from him this increase of taxes? when the greater part of the charges of foreign invasion have fallen upon him: when his advances of every kind have been absorbed by national and foreign requisitions; when the ravages of war have consummated the misery of the country people.

Besides, let it not be forgotten that the farmer is loaded with an immense arrear, that he will find it difficult to keep up with the common level, and that he would perhaps lose the wish as well as the power, if his present burthen were aggravated.

Far from augmenting the direct taxes by one third, or even at all, I think it would be suitable and beneficial to reduce them by 320 millions, and to fix their actual amount for the public treasure, at 250 millions. This salutary reduction would not renew the means of the farmer, would not restore the prosperity

of agriculture, and would not much augment the fertility of this precious source of wealth; but it would console the farmer, would encourage him, and would determine him to redouble his efforts and his energy to attain more prosperous times.

The taxes on capital, far from allowing the possibility of increase, seem also to me susceptible of diminution, and the most powerful motives show its necessity.

In ordinary times, capitals may be heavily taxed, without difficulty, though not without detriment. They are then abundant, they circulate easily, and may, to a certain degree, be represented by credit.

But in extraordinary circumstances, where capitals are narrowed, where each individual fears to put them in employment, where there is no security, either in their application or their returns, where all credit is impossible, to charge them with a heavier contribution, would be to exclude them from circulation, to increase the difficulty of business, and to add to the general distress.

It is not the time, by an increase of duties on exchanges, to turn proprietors from the sale of their goods, necessary for acquiring them towards their creditors, or for their wants in labor, industry, and commerce.

Nor is it the time to add to the distress of the debtor by heavier duties, which would complete his ruin, and would deprive his creditors of a part of their security.

Nor is it the time to spread alarm and distress in families, from an increase of duties by which the treasury would perhaps appropriate the greatest part of the paternal inheritance.

It is not the time to stifle sentiments of friendship and gratitude, so rare and so valuable in revolutionary periods, by fettering voluntary and gratuitous gifts with intolerable charges.

Thus, I should make it a particular object, to diminish from this time the duties of registry; and though the saving would be little in itself, it would prove at least that we wish to do as little harm as possible, which doubles the courage and energy of a people. With this view, I should reduce the taxes on capital to 120 millions, their produce to 100 millions.

But how to fill up the vacancies that these retrenchments on the ordinary taxes would leave in the public fortune, and where shall we find the increase of 200 millions that they ought to support?

It is not by personal taxes, and those on moveables: we have seen that this kind of tax offers few or no resources: the most able financial operations cannot turn them to advantage: let them not be lessened, if you choose; but it seems to me impossible and useless to augment them.

There remain only the taxes on consumption, and I confess that if they were well placed, and above all if they were freed from the mode of raising them, always resisted by the French, they might suffice every want. I doubt not that in prosperous times they might give a net produce of 300 millions.

But these taxes do not exist: they should be settled, and we know that the consequent expenses absorb almost the whole of the first year's produce. These taxes would be but nominal at present.

In another light, circumstances are not so auspicious for their establishment. As each individual can only pay his public contributions by contracting his private expenses, we perceive that consumption will be much restricted, and to embarrass it with taxes at a time so unfavorable, would level a deadly blow at industry and commerce, and sacrifice the article of taxation by the tax itself.

I believe it would be prudent to postpone, for the present, this excellent mode of taxation, and to defer its establishment to a more commodious time. Let us fear to excite prepossessions against it, and to do much evil without the possibility of good.

I believe that we should be contented with the 170 millions that are produced by salt, tobacco, wines, liquors, and custom-house duties.

On this supposition, the taxes moderated and reduced as we have seen, would yield,

Direct taxes	-	-	-	-	250 million»
On capitals	-	-	-	-	100
Indirect, or on consumption	-	-	-	-	170
Woods and lands	-	-	-	-	10
Lotteries	-	-	-	-	7
Post	-	-	-	-	10
<hr/>					
<i>The deficiency will then be</i>					
			547		
			<u>253</u>		
<hr/>					
Total			800		
			<hr/>		

I think that this deficiency cannot be certainly supplied, and with the least harm to public prosperity, but by an income tax, that tax which has rescued England from the most dangerous crisis of her finances, by that tax which ought to hold so distinguished a place in the history of modern finance.

Not that this kind of tax is without inconvenience. On the contrary, it has very great and vexatious ones. If it were permanent, it would be insupportable, and pernicious to the general wealth, or at least the greatest obstacle to its progress.

But as a temporary tax, under a pressing necessity, at the moment of the exhaustion of all ordinary resources, it is of all taxes that which least affects public and private wealth, and which affords more certain and efficacious helps to the public treasury.

This tax falls only on the private revenue of each individual, and consequently it leaves to reproduction, all its resources and all its power. A country may consume all its clear revenue, without losing any of its wealth. To tax the revenue, therefore, is not to impair the public wealth.

The tax on clear revenue is extremely advantageous to the public treasury. Not only does it fulfil its promises, because it calls merely upon the prosperous classes, but what is also highly advantageous in distressful times, its assessment is easy, and always accomplished at determinate periods. So that the public treasury, secure of its returns, needs not employ expedients ruinous to the state, and fatal to all its departments of wealth.

In the present circumstances of France, this consideration seems to me worthy of the highest regard. Let it be remembered, that the treasury has contracted positive engagements towards foreign countries, to the amount of 300 millions; that the discharge of these engagements is to take place every six months, and that the deficiency must be supplied in annuities to the courts. So that if the payment was not made in the appointed time, the debt of 300 millions might increase in a proportion that I do not choose to anticipate. I think it enough to suggest it.

The important object at this moment, is, not so much to put upon paper, a number of taxes equivalent or even superior to our wants, which is not very difficult, as to be certain, that those which are appointed, shall be effective at the times prefixed, and that the NO. XIII. *Pam.* VOL. VII. Q

public treasury shall not be necessitated to adopt ruinous expedients, and above all, shall not see its agency fail. The system of finance, as just exhibited, seems to me to unite all these desirable requisites, and appears to possess an inestimable advantage.

But what proportion shall the tax on income bear to its amount? How shall it be divided and assessed? These are questions of great interest. I will not undertake, nevertheless, to treat of them in detail, because I am not very partial to its adoption. I know what obstacles it must encounter, and these obstacles are not surmountable by reason. I have not even offered it to the public, but because I thought my duty obliged me to it. A sufficiently perspicuous idea will be formed of it, from the legal project annexed to this tract, No. II.

However persuaded I may be, of the accuracy of the assessment of the revenue tax, and of the direct taxes, reduced to 250 millions, I think this assessment too important not to seek for it a guarantee independent of the good-will or the means of the contributor.

With this view, I think it indispensable to institute in each department, an auxiliary bank, for the payment of a part of the direct taxes, and of the revenue tax. The capital of this bank would be one-fourth of the aggregate of these taxes, and the greater part would be raised by an increase of securities in each department; and by other means, which I think it useless to state here, because such views are easily understood by men versed in the subject, and could be but hardly apprehended by others. Its leading principles will be found in No. III.

Unless I am deceived, this measure may have great and numberless advantages. It opens a path to public credit through private credit; and if this path is rendered easy, as it may be without much exertion, France might, in a short time, enjoy a credit equal, or perhaps superior, to what any people has ever possessed.

But at the mention of credit, the reader, astonished at the silence that I have hitherto observed respecting this all-powerful agent of modern wealth, asks himself, if credit offers no hope, if by skilful combinations, it may not promote measures, which would lighten the pressure of our misfortunes, by consigning them to a distant future. Let us minutely examine this question, which

is not the less important, because it is trite; and above all, let us try to discriminate the conclusions of science, from the illusions of a susceptible and credulous imagination.

§. 2.

On the nature of public Credit, and the aid to be expected from it under extraordinary circumstances.

In our present circumstances, the question of public credit cannot be discussed, without recalling and examining in all their bearings, two opinions equally remarkable by their variance, by the character of their authors, by the confidence with which they maintain them, by the important interests that are linked with the decision.

M. the Duke of Gaëta thinks that credit can only be the result of the confidence previously established on firm bases.

"The first of all," says this honorable minister, "is the well ascertained stability of the government, but every impartial man, possessing any intelligence, will agree that for the last 25 years, this essential condition was at no time completely fulfilled in France. It seems then that the last government could hardly think itself culpable for not attempting what was impossible, and that it had given evidence at least of good sense in not pursuing a chimera. It seems also that, in these later times, there was some imprudence in beginning, under the idea of establishing credit, with an operation of which the success would require it to be already in full force. There is in this something complicated; there is an inversion of ideas, which the reason, indeed, may not be able to detect, but which never can mislead the judgment."¹

M. the Baron Louis, on his accession to the ministry, avowed opinions totally opposite to those of the Duke of Gaëta, and founded on credit all the success of his administration. His doctrine has been most fully developed by a writer who was his fellow-laborer, the confidant of his thoughts, and doubtless their faithful interpreter,

¹ Preliminary Opinion on Finance, by M. the Duke of Gaëta, p. 6.

since he has not disavowed it. M. Bricogne, in his works, maintains, "that credit may always be re-established with promptitude and facility; that the success of this honorable enterprise only depends on the sincerity of the government, and on the experience of the ministers." He points out the conduct to be adopted in this circumstance, and he reduces it to these two operations: to give full security to creditors, and to fix consecutive dates, calculated on the available means of payment. "This," he adds, "was done in 1814; it is what the minister of finance for the Low Countries has just done, for the debt contracted by the last campaign; and the first loans in England and the United States of America, consisted in annuities of different dates."¹

In these clashing assertions, there is a tone of dogmatism, which imposes on reason, but does not satisfy it. Let us try, whether, by rejecting dogmatism, and investigating facts, the source of all truth, we cannot solve the problem that is apparently inexplicable.

In all its operations, credit presents a contract, whereby that possesses a thing of which he does not or will not make use, yields it to him who needs it, under condition that he shall receive, at a given or usual time, its value, at the time when he parted with it.

Thus the man who only receives the payment of his time or his labor weekly, monthly, quarterly, half-yearly, or annually, gives a shorter or longer credit to the master that employs him, and understands that when he is reimbursed, the exact value will be given to him that he would have received without credit. But it is known that of all the values that exist in the world, gold and silver alone can preserve value the least subject to variation, particularly during a period of time not very long. Whence it follows, that if gold and silver are made to disappear from circulation, all credit ceases, and even becomes impossible, for who would give his time and trouble on credit for a value, which, at the time of payment, might vary by a quarter, a third, a half, and perhaps more?

That which is true respecting the credit of time and labor, is equally so of the credit of provisions, and of commodities that

¹ Some words of consolation to the State Creditors, p. 312.

pass from the farmer and manufacturer to the merchant, from him to the retailer, and finally from this last to the consumer.

It is also manifest, that bills of exchange given by the merchant to the farmer and the manufacturer, and those that he receives from the retailer, as well as the value that the consumer gives to the latter, were of a variable nature; that if their variation deprived the farmer, the manufacturer, the merchant, and the retailer of any part of the value they should receive, credit would no longer have place in commercial operations, and the exchangeable value would be paid at the moment of the delivery of the provisions and commodities.

Lastly, the government would be in the same situation with respect to the credit that it receives from the servants, the creditors, and the contractors of the government. It could neither ask of them nor obtain credit, if it paid them in a shifting value, susceptible of a fortuitous degree of depreciation, in the interval between the debt and the payment.

Let not the example of England be objected to me, which, for 18 years, has employed bank notes indiscriminately in all exchanges, and in the payment of all services; notes of a varying value, which does not always fulfil its promise to the possessor. A crowd of circumstances explain this phenomenon. I will not recal the whole of them: the nature of this tract does not allow it. I shall content myself with remarking, that the circulating bank paper is stipulated payable in gold and silver, that the banks which circulate it are known to be solvent, and that every possessor is guaranteed to receive their value, when they resume their payments in specie. In fact, then, gold and silver circulate, under the promise of their liquidation, contained in the notes. The term of payment is indeed undefined, but it is only delayed, and at whatever time it takes place, the payment will be made in gold and silver.

Doubtless, this postponement subjects the value of the note to variations that are hurtful to credit, but as these variations are not considerable, it is qualified by a slight rise of prices, which restores the equilibrium, and confers on every one as much as he gives.

It is also expedient to remark, that this mode of circulation only took place, while England possessed decided advantages, over all

the people with whom she kept up commercial relations. In such a state of things, she might consider herself as insulated, or without any injurious connexion, and we know that in this situation, circulating paper has the fewest inconveniences. But what will be the issue now, when she is about to renew her intercourse with all nations, that she will be alternately their creditor and their debtor, that they will purchase in bank paper, and will sell to her in gold and silver, that consequently she will receive a depreciated currency from her sales, and will pay for her purchases in money at its full value. Will this experiment succeed with her? We may be permitted to doubt it, and consequently the fate of circulating paper must be regarded as precarious, until further experience shall have confirmed or refuted the opinion hitherto entertained: until then, the permanence of circulating values, and therefore the positive necessity of admitting no others than gold and silver, must be viewed as the first condition of credit.

Another fact equally certain is, that if the laws which ensure the discharge of contracts proceeding from credit, do not adequately protect the creditor against the debtor's bad faith, or if they are ill executed, owing to the defective constitution and conduct of the tribunals: or lastly, if the weakness and disunion of government cannot confirm the summary execution of legal judgments, or have no certainty of power to observe its engagements, there can evidently exist neither public nor private credit, and every one must require and receive, at each instant, the value of the article he delivers.

In this sense, M. the Duke of Gaëta was perfectly correct in saying, that the first condition of the existence of credit, is the stability of the government, and M. Brécogne has fallen into an evident mistake, when he assumed it for a principle that it is always easy to re-establish credit.

If the principle laid down by the Duke of Gaëta is true, the application that he made of it to the whole of his ministry, might easily be disputed. It is certain that, though the stability of the government of Buonaparte was never completely determined, though he almost always exposed it by his ambition or his rashness; it cannot yet be disguised that this stability was sufficiently well fortified, during a great length of time, to authorise the

establishment, if not of an entire and boundless credit, at least of a limited one, proportioned to the nature of its government.

But we must remark it, since it may be useful. The Duke of Gaëta, brought up in principles followed by the administration of finances during three quarters of the 18th century, has not paid much attention to the prodigies of credit in England, during the last quarter of the 18th century, and perhaps he might be too deeply impressed with the abuse that M. Necker and M. Cakanne had made of it in France. As he knew that, since Colbert, all the arrears without exception had been consolidated in State annuities, he followed this method, which was likely to be very acceptable to the head of the Government, because it supplied all the deficits without tumult and difficulty; and which was not less convenient for the minister, as it absolved him from the painful task of increasing annually the burthen of the people. But as this mode of providing for the public wants enlarged them by all the risks that the purveyors and creditors of the State incurred from a forced consolidation, of which they could neither foresee, nor calculate the disadvantages, it is clear that this method eventually imposed on the people, a burthen that would have been intolerable, if the contributions on foreign countries had not lightened it. If then it is not correct to say, that it is always easy to re-establish credit, if on the contrary it is certain, that credit is necessarily proportioned to the stability of Government, to the nature of its legislation, to the character of judicial authority, let us examine if there are no other causes that destroy or limit it.

There is one peculiar to public credit, which it is requisite to point out, because it is little known, because it seems to me to operate, on credit, results that have not been perceived, and which have caused all the errors, the mistakes, and the oversights, of the writers, economists, and ministers, who have treated on public credit, or have inculcated its employment.

It is, as we have seen, in the nature of credit, to transfer to the borrower a real and positive value, of which the lender has no immediate need. Hence it follows that public credit can only transmit to Government that portion of the general wealth which exceeds private wants. Public credit can never enter into competition with commercial and private credit; and if it were so, it

would be a public calamity ; because public credit would then turn from their destination the funds necessary for the reproduction of the annual wealth, would diminish the stock of labor, and would rapidly impel the State to inevitable ruin ; a misfortune which never happens, because individuals are always sufficiently enlightened to retain the funds that are necessary for reproduction. The funds that public credit may appropriate, are reducible then to those which exceed the wants of reproduction, or which may constantly, without detriment, be diverted into other channels. In this case, the public loans are not merely without pernicious effects, as has been too hastily believed, but they may even have a kind of use which is unreasonably questioned. We may fix it for a principle, on this subject, that public credit, when it may exist, never goes beyond the disposable wealth of each country, and that no State can borrow beyond it. The contributions of foreigners to the funds of other countries, are always slight, and form no exception to this general rule.

This admitted, it is evident, that the portion of national wealth that may be raised by public credit, can only be ascertained by voluntary loan. This alone is the criterion of the state of the national wealth, of its abundance, or its mediocrity. Every other expedient is fallacious and ineffectual.

What then was the mistake of the minister of finance, who, well convinced that voluntary loan would never obtain him one farthing, nevertheless, without the aid of voluntary loan, thought that he could lay the foundation of a brilliant and prosperous public credit ? How could he fail to observe, that he was wrestling against the nature of things, which mocks all human efforts ?

Let us examine this system, which at its appearance excited universal clamor, which deluded superficial minds, and which the world does not yet properly appreciate.

The Baron Louis, being debarred from the public credit, which arises from voluntary loans, thought that he could create it by other means. He thought that, if the creditors for the outstanding arrear, voluntarily left in the public treasury the funds that were due to them, it would be the same as if they were voluntarily lent. He did not see, that he was enthraling himself in a vicious

circle, and that if the creditors of the State, the disposers of their own property, had not chosen to lend it to the public treasury, they would not, for a similar reason, leave it there, if they were at liberty to withdraw it. The reason is obvious.

For the creditors to consent to abstain from exacting their due, it would be necessary that they should have no occasion for it, and the minister could have no proof of this. His system of credit, then, rested on no rational basis.

In vain did this minister hope to attract the creditors by the solemn promise of reimbursing them entirely for their loans, both in interest and capital. These were fine speeches, but speeches were not specie, and would hardly prevail with the creditors, in its absence.

Besides, the solemnity of the promise of total reimbursement was greatly tarnished by the delay of three years, that the minister took to effect his reimbursement. This forced delay bore much likeness to a forced loan, and opposed an insuperable obstacle to the creation of public credit.

Did the minister think to appease the creditors by the promise of 8 per cent indemnity ? he was still deceived. This indemnity gave only words to the creditors, since there were no funds to discharge it, and it was blended with the other State expenses, of which the payment was any thing but certain, creditors are not satisfied with promises, however solemn. They wish for effects, and for a revenue assigned to pay them. As the minister gave them none, what could they think ? What, but that after, as before, the promises of the minister, they were compulsorily the creditors of the State ? Was this the means of founding public credit ?

Lastly, the minister engaged a fund of 300 or 400 millions for the payment of the debts in arrear, which he estimated himself at 759 millions : - - - - - 759

To which adding for the indemnity during 3 years, 181

Which the Minister professed to liquidate with 300 or 400 millions. 940 millions.

By the imprudence of this public disclosure, all minds were thrown into the greatest anxiety, and resigned themselves to the

most ominous conjectures. I was not exempt from the general terror, and I exclaimed, with all the world, against a project of total reimbursement, which would deprive the creditors of one half of their due.

The Minister's fellow-laborer has told us, in one of his writings, that the Minister purposed not to pay the 940 millions with the 300 or 400 millions that he had assigned, but that he merely hoped to introduce and keep them in circulation until he could withdraw them by the improvement of credit.

But this part of the project was not less than the first.

How could the Minister overlook, that a part of the creditors would choose to receive the amount of what was due to them, as soon as the reimbursement was in force; that this reimbursement would deprive him of a part of the 300 or 400 millions, and that the other creditors, who might have consented not to exact payment, if no person were paid, would choose to be reimbursed when they saw the common stock become the prey of a small number of creditors. And how should they not desire this, when they knew that the funds assigned for liquidation, were not equivalent to one third?

These facts have fully confirmed these results of reason, and no one could have been misled in regard to the system of obligations, if the Minister had then disclosed it as his coadjutor does now.

I cannot here review all the facts which, in the practice of his system, have shown its original defects. We ought to have under our eyes the details of its operation. This account would shed considerable light on the nature of public credit. As I knew all its importance, I had demanded it by a formal proposition to the Chamber, in the first days of the session. I thought proper to withdraw it, because I saw that my intention was misconstrued; but I have reason to think that the Chamber, enlightened by the progress of affairs, will feel the necessity of his communication, and will regret that it has not been given before.

Obliged to content myself with the facts avowed by the apologist of the system, it seems to me that they lead to results which are subversive of the system.

It seems certain, from the writings of M. Bricogne, that before the issuing of the bonds, the minister had reimbursed about 122 millions of crowns to the creditors in arrear. Who were these creditors? The holders of the securities from the Caisse de service, the Sinking Fund (Caisse d'amortissement) and the Bank of France, that is to say, the capitalists who are accustomed to derive advantage from their funds in the public treasury. The Minister flattened himself that these funds, removed from the treasury to discharge obligatory claims, might return to constitute new engagements, and that this operation would only produce an exchange favorable to credit.

If we believe the rumors that were then circulated, the Minister was mistaken in his calculation, and his disputes with the Bank showed to the public his concern at being deceived.

At the time of issuing the bonds, the holders were neither more confiding nor more complaisant than the Bank of France. Of 36 millions of bonds that were issued, about 21 millions were to be paid off; nor was it certain that the other 15 millions would have remained in circulation. It is known that at the beginning of 1815, the receivers general were written to confidentially, to induce them to employ in bonds the surplus of their assessments, and their private funds. This measure would not perhaps have had all the success that was hoped for; but if it had no success, which is hardly probable, we should see that bonds have constantly sought for money, and have not remained an instant in circulation. An evident proof that credit can no more be surprised than it can be forced. Independently of all power, it follows its own impulse, and never errs.

I add, that, if, during the 11 months of his administration, the Minister, when repaying to the creditors the outstanding 158 millions, forming the half of the funds assigned to their payment, and the 6th part of their claim, had yet done nothing for the public credit, how could he expect more success from the 158 millions that he had yet in reserve? How could they have been more effective than the others, when they had to put in motion a force five times more considerable? This is incomprehensible, and it seems to me evident that these last 158 millions, like the first,

would only have liquidated an amount of 158 millions: so that eventually, the fund of 300 or 400 millions assigned to the outstanding claims, would only have paid about the half, and consequently, there would have remained in circulation, about 400 million of bonds, without any assignable funds, or at least without any other security than the Consolidated fund, which would have led to the complete ruin of the pretended system of credit.

The coadjutor of the Minister, M. Bricogne, who has anticipated this objection, has exerted himself to refute it; but has he succeeded?

He pretends that the payment of 21 millions from the 36 millions of bonds, has not only acted on the bonds, but on the total mass of the debt, composed of the claimable debt, which was reduced to par, and of the 5 per Cents. which had been raised from 45 to 82 fr. "These 25 millions employed in payment," says M. Bricogne, "would only have paid 21 millions assigned for the redeeming of the debt." They created a capital of 700 millions, to the profit of the creditors of the state: they formed an equal augmentation in the wealth of society, and on all taxable articles. A few months more, and the employment of 30 or 40 millions would have sufficed to double this profit by restoring the 5 per Cents. to par.¹

All these assertions seem to me as groundless as the arguments deduced from them.

The rise of the funds from 45 to 82 had 3 distinct causes.

The capitulation of Paris, the formation of a provisional government, agreeable to the allied powers, raised rent, on the 4th April, to 57 fr.

The peace and the charter carried it, in the month of June, to 67 fr.

The budget, which disclosed the hope of a more prosperous future, made it rise, in September, to 79 fr.

The payment of 21 millions on the bonds which was not effected till December, January, and February, had then no influence in raising the funds, and did not contribute to the amelioration of the public fortune.

¹ Ibid. p. 314.

And how should it have contributed to it?

And how could so great a power be attributed to it? This payment of 21 millions, like all the other payments anteriorly made to the creditors in arrear, in a word the 158 millions were not a surplus of the ordinary funds, a new sum poured into the circulating medium, an addition to the mass of circulating capital: they accrued almost entirely from the ordinary funds, they had only changed their destination, and had come into circulation by a different channel from that which ought to have brought them there. They could not then have a different result from what they would have had, if they had been given to circulation by the payment for ordinary service. To discern in this vibration of funds, a germ of public credit, seems to me as unreasonable as to pretend that one single payment would extinguish two different claims, and satisfy two several creditors. This is to misconceive the nature of credit.

I will not follow M. Bricogne into his numerous theories on the phenomena that the rise of the funds to 83 $\frac{1}{2}$ would have produced: all these fanciful visions, if they were accredited by his Minister, would not give that idea of his character that he wishes to impress. Public credit is not founded on theories, probabilities, and possibilities. It requires other pledges, other securities, and no combinations can give it any other basis than the surplus of wealth beyond private wants, nor any other instrument than voluntary loan, nor any other impulse than the certainty of regaining its advances. But always wherever these three causes combine, the creation of public credit seems to me not only possible, but easy and secure.

Perhaps, something more is required in a country where, as in France, public credit has sustained so many shocks, and been exposed to continual impediments. Perhaps it will not be successfully naturalised in such a country, made to flourish there, and endowed with a durable and prosperous existence, but by putting it under the guardianship of a great number of creditors interested in its preservation, and sufficiently powerful to protect it from the attacks, direct and indirect, that might be aimed at it. Under such auspices, credit arose at Venice, at Genoa, in England, wherever it has played a great part, and by such examples we must be guided, would we be sure of perfect success.

For this object it seems to me that it would be useful and fitting, in all respects, to divide the creditors of the state into three classes, composed, one, of the creditors, for the registered debt, another, of the creditors for the claimable debt; and another, of the creditors for the life debt; to authorize them to form a corporation, to organize it, and to institute an administration, to watch over their common interests; to assign to them a portion of the public revenue, or sufficient funds to satisfy the respective demands, and to leave to their administration the care of receiving immediately from the directors of the treasury, the portion of revenue appropriated to them; to dispose of the funds transferred to them, to manage them, and to divide the products among all the interested parties, according to the rules and ceremonies established by the statutes of each corporation.

By this expedient, financial business would be simplified, their incidental expenses considerably diminished, and public economy restored to a regular and invariable order.

Again, the alertness of personal interest would awaken the solicitude of each administration of creditors, would suggest measures the most economical and the most favorable to common interests, and would lead them to the most useful results.

Thus we should promptly obtain, what Justice directs toward the State Creditors, and what is necessary for the formation of a free public credit, proportioned to national wealth. A double object which modern governments, enlightened on their true interests, ought to seek and attain, if they would fulfil their glorious destiny.

Public credit will not receive from the institution of the Sinking Fund, however prudently organized, as much help as is expected from it. As all the powers of this institution are confined to stopping or preventing the fall of the public funds its influence is better adapted to confirm and consolidate existing public credit, than to create it where it exists not. Other powers, other springs, are wanting to give it motion, being, life, and if I am not mistaken, we shall not succeed but by the measures I have indicated. My confidence is so much the firmer, since, as we have seen, it is founded on the experience of every people, among whom public credit has been the most in estimation.

These measures would not at first be so efficacious as circumstances might require; but they will be highly advantageous while the State is most affected by its first payments to foreign countries. Let us not imitate those imprudent combatants, who only think of warding the blow that threatens them, after they have received it. There are still resources for the present time; but it is their exhaustion that we must apprehend and prevent.

Let none be astonished at my fears, of the difficulty of raising in France, during six years, an extraordinary impost of 200 or 300 millions annually, of which foreign countries alone will receive the produce, and, what is greatly to be apprehended, of which no portion will remain to the agriculture, the industry, and the commerce of France! Let it not be said, that England, for three years, has raised on her people about 6000 millions of francs, and has expended at least one half of it on the continent without being injured, without even manifesting the least symptom of suffering, and that France, were she less rich, might well, without great exertion, realise about 1000 millions in 5 years! The difference of the financial circumstances of the two people do not allow us to compare them, and to infer from one to the other. That the wealth of England is commercial, and that of France national, is enough to discriminate their application and their results. One example will make this plain.

Let us suppose that two individuals, each possessing a capital of 100,000 fr., but one consisting of land, and the other of commercial assets, had to transmit abroad a sum of 25,000 fr. how different would be their condition!

The proprietor of lands would find it difficult to procure the 25,000 fr. necessary for his acquittance: he would be forced to alienate or to mortgage his property; and either operation would diminish far beyond the 25,000 fr. that he wished to lay out. Are there not even a number of circumstances, where the proprietor of land worth 100,000 fr. could not find the 25,000 fr. that he had occasion for? But let us not carry our theories farther.

It is, however, certain, that the commercial proprietor would have to apprehend none of the risks incurred by the landed proprietor; he would disembarass himself, without assistance from any one, without in appearance diminishing his capital, without

injury to his credit, in a word, without having experienced the least alteration in his fortune or his resources.

What light does not this comparison, of which the results are sensible and evident, shed upon the respective effects of the commercial and the landed system! How important it is, no longer to be deceived by the controversies they have occasioned! And how desirable is it that the French Government, securing itself from the false doctrines so long received among us, should reconduct the French people to the career of industry, commerce, and colonies, which it was pursuing with so much success at the time of our political disasters. Let us remember, that in the calamitous year of 1709, an amount of 30 millions, imported by the vessels employed in the South Sea commerce, was the powerful lever that raised the public fortune from the deep gulph wherein it seemed absorbed for ever. Our misfortunes are less considerable, doubtless; but it is expedient not to lose sight of the resources that the colonial products of St. Domingo would afford at the moment of the exhaustion of the national wealth, an exhaustion inevitable from the transmission abroad of near 300 millions annually during 5 years.

Thus, to renew our commercial relations with foreign countries, by our reinstatement in the colony of St. Domingo, to revive public credit by the help of banks and financial associations, to provide for extraordinary wants by an extraordinary tax on income, and to secure the recovery of the appointed taxes by auxiliary banks; such are the measures that seem to me requisite to redeem us from the difficult situation in which we are placed. These measures should inspire the greater confidence, as they are conformable with the doctrines generally adopted by all writers, and confirmed by the experience of all nations. I may then anticipate their success.

Table and Financial Plans mentioned in the General Considerations on the Financial Situation of France in 1816.

No. 1.

Comparative Table of the System of Public Contributions in France and England.

Financial Situation of France in 1816.

257

England.	£ 7073,530	10s. 8 <i>2d</i> .—fr. 169,764,752	Direct taxes
	6110,649	-	146,655,576 On capitals, including lotteries - 130,000,000
	24,169,715	-	580,073,160 On consumption, including salt and tobacco - 100,000,000
	10,193,172	-	244,636,128 On Customs, house duties, 30,000,000
	1,277,538	-	30,660,912 Posts - - 10,000,000
	£48,824,604	1,171,790,508	600,000,000
	9,864,189 income tax	236,740,536	
	410,151 other resources	9,840,924	
			1,413,371,968

I have to state, that in this Table I have not aimed at precision; but at a mere comparative view of the system of taxation in the two countries.

Plan of an Income Tax.

ART. I.

All incomes, however derived, whether from the rent of land, from capitals employed in agriculture, industry, and commerce, from professions, arts, and trades, shall be subject to a tax in the proportions hereafter stated.

2. The tax on an income of 100,000 fr. and above, shall be one-third of the said income.¹

OBSERVATIONS.

The population living on net produce, or income properly so termed, is about 7,000,000.

These persons, reckoning 5 in each family, form about 1,400,000 families.

Of these families, those whose income is less than 1000 francs, shall be exempted from the tax.

¹ Supposing that in each department, there are but 10 or 11 families, possessing an income of 100,000 francs, this class, composed of about 1000 families, would possess 100 millions of income, and would contribute - - - - - 33 millions.

Their number, perhaps computed at about 1,200,000 families. The contributing families would therefore be only - - - - - 200,000

Total - - - 1,400,000 families.
From 100 to 50,000 fr. the tax shall be one-fourth of the income.¹

From 50 to 25,000 fr. one-fifth.²

From 25 to 10,000 fr. one-sixth.³

From 10 to 5,000 fr. one-seventh.⁴

From 5 to 1,000 fr. one-eighth.⁵

3. The Directory for taxation shall send to the Mayor of each *Commune* a list divided into three classes; one for the tax on income arising from the rent of land, another for the income tax of capitals employed in agriculture, industry, and commerce, and the third for the income tax on professions, arts, and trades.

4. Immediately after receiving the list, each head of a family settled in the *Commune*, shall be summoned by the Mayor or his assistant, to make a return of his income proceeding from one of the aforementioned sources. He shall sign it, if he is able, and should he be unable or unwilling to sign it, the Mayor or his assistant shall so state, and in this case shall be bound to give him a bulletin indicatory of his declaration.

¹ I estimate this class at 3000 families, at the rate of 34 per department. It possesses about 200 millions of income, and consequently would contribute - - - - - 83 millions.

² The 3d class, composed of about 5000 families, at the rate of 57 per department, would consume an income of 200 millions, and contribute - - - - - 50 millions.

³ This class may be estimated at about 20,000 families, at the rate of 232 per department. Their proportion of income is 300 millions, and therefore their contribution would be - - - - - 40 millions.

⁴ This class includes about 50,000 families, at the rate of 530 per department. Its share of income is 300 millions, and it therefore would contribute - - - - - 42 millions.

⁵ This class comprises about 100,000 families, at the rate of 1200 per department. Their share of income is not less than 300 millions, and they would therefore contribute - - - - - 36 millions.

255 millions.

5. In case of non-appearance, the Mayor or his assistant shall assess the party at the highest rate payable in the *Commune*; nor shall he be relieved from this penalty, but by paying a fine of one-fourth of the tax regularly due.

6. In case of false declaration, or of non-declaration, with a view of evading payment, he who shall be convicted of it, shall be fined one-tenth of his tax, of which one-third shall go to the inferior, one-third to the commissioners of inquiry, and one-third to the Bank of France; as will be subsequently explained.

7. The prefect shall name commissioners, who shall repair to each *Commune*, to verify the declarations, to make all inquiries, to receive all informations, and to collect all the documents, that may facilitate their proceedings, for which purpose the office of registry, the public depositories, shall be open to them for every requisite investigation.

8. In case that the commissioners should perceive the falsity of a return, they shall summon the party before them; on his confessing, his return shall be rectified, and the incurred fine reduced to one-half: if he should persist in its accuracy, the commissioners shall summon him before the council of prefecture for decision.

9. The list of returns, confirmed and signed by the Mayor and the Commissioners, shall be referred to the Directory of Taxes, who shall make a duplicate of it, shall cause it to be revised and made binding by the prefect, and shall transmit it back to the assessor of the direct taxes, to be recovered accordingly to the established forms.

10. The income tax shall be payable by one-twelfth monthly; nevertheless it shall not be claimable, and the assessment shall not be recoverable by process, but in the months of May and June, December and January. On the 1st of February, the whole of the assessment shall be payable, under penalty that the collectors be themselves accountable, and personally prosecuted.

11. The contributors who shall avail themselves of the time granted, shall be bound to pay $\frac{1}{2}$ per cent. monthly above the sum thus postponed.

No. 3.

Plan of an Auxiliary Bank.

ART. 1.

There shall be formed in the principal place of each department, an Auxiliary Bank, of which the capital shall be equal to one-fourth of the income tax, and the direct taxes.

This capital shall be formed of sums of 1000 fr., which shall be subdivided into halves and fourths.

2. All the functionaries, and those employed in each department, shall be bound to take shares in the Auxiliary Bank to the amount of one-fifth of their securities to Government.

3. The shares and payments shall not be transferable from the holders.

4. The payment shall be made by one-twelfth monthly, and in advance. In default of the completion of each payment, the contributor shall lose his preceding payments, and they shall be appropriated by the Bank.

5. Besides the $\frac{1}{2}$ per cent. to which those contributors shall be subject, who shall not pay the twelfth of their tax, which $\frac{1}{2}$ per cent. shall belong to the Bank who pays in their stead, there shall be conceded to the Bank one-third of the fines incurred by the contributors, for non-declarations or for false declarations, and 1 per cent. for the expenses of management.

6. There shall be enactments respecting the constitution, and the management of Banks, and on their connexions, whether with the Treasury Agents, or the Treasury itself.

**END OF
TITLE**